AMENDED IN SENATE AUGUST 7, 2006 AMENDED IN ASSEMBLY MAY 3, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 2601

Introduced by Assembly Members Arambula, Aghazarian, Baca, Chan, Garcia, and Houston

February 24, 2006

An act to add Article 6.5 (commencing with Section 12065) to Chapter 1 of Part 2 of Division 3 of Title 2 of Title 19 (commencing with Section 99100) to the Government Code, relating to international trade and investment, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2601, as amended, Arambula. International trade and investment: Business, Transportation and Housing Agency. California International Trade and Investment Act.

Existing

(1) Existing law provides for various international trade and investment activities in the state, and authorizes the Business, Transportation and Housing Agency to accept private sector moneys for the purpose of promoting international trade and investment, subject to specified conditions. The Governor is required to instruct the secretary to establish, on a contract basis, an international trade and investment office in Yerevan, in the Republic of Armenia, subject to the availability of funds for that purpose.

This bill would enact the California International Trade and Investment Act, to specify that the agency shall be the primary state agency responsible for domestic and international trade and

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investment activities in the state, subject to specified conditions. It would require the secretary to develop an international trade and investment policy, complete a study on the potential role of the state in global markets, and develop an international trade and investment strategy for the state, subject to specified requirements. It would require the secretary to convene—or—join a statewide business partnership for international trade and investment to advise on business needs and priorities in that regard. It would require the secretary to develop an international trade and investment office strategy and authorize the establishment of international trade and investment offices by the agency, subject to specified conditions. It would appropriate \$140,000 from the General Fund to the agency for these purposes.

This bill would additionally require the Office of Planning and Research to maintain, and update—at least monthly, a full and comprehensive list of all state agreements made with foreign governments, as provided. It would require all state employees, as specified, to provide to—their agency or department head or other oversight entity the agency, within 30 days of traveling out of the country on official state business relating to trade or investment, or both, a memorandum with specified information regarding the trip.

(2) Existing law specifies that the Governor is the sole official source of communication between the government of this state and the government of the United States.

This bill would require the state point of contact for the United States Trade Representative, within the Office of the Governor, to perform specified duties with regard to the effect of federal trade policy on the state.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the 2 following:
- 3 (a) The statutory authority for the Technology, Trade, and
- 4 Commerce Agency, including the agency's international trade
- 5 and investment promotion programs, was repealed by Chapter
- 6 229 of the Statutes of 2003, thereby reducing the capacity of state

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government to assist California firms in developing global
business opportunities.
(b) The repeal of the statutory authority for the Technology,

- (b) The repeal of the statutory authority for the Technology, Trade, and Commerce Agency has increased the importance of strengthening collaborative linkages among remaining California-based international trade and investment promotion programs operated at federal, state, regional, and local levels. These programs include, but are not limited to, the Centers for International Trade Development operated by the California Community Colleges, 15 offices of the United States Commercial Service within the United States Department of Commerce, numerous local and regional World Trade Centers, and public and private economic development and trade associations.
- (c) According to data for 2000, international trade and investment activity in the state supports one in every seven California jobs.
 - (d) According to the Public Policy Institute of California:
- (1) Nearly 94 percent of all exporters located in California are small- or medium-sized firms. Over 90 percent of businesses in California are small businesses and over 50 percent of all workers are employed by a small business.
- (2) Exporters are more productive and pay higher wages than nonexporters.
- (3) Effective state programs supporting export opportunities should identify and respond to differing needs of both export-willing and export-ready firms.
- (e) The adequacy of the state's infrastructure, workforce, research facilities, manufacturing and service industries, and access to capital form the foundation of California's global market-related economy.
- (f) California's multicultural and ethnic populations offer unique opportunities for international trade and investment.
- 34 (g) United States subsidiaries of foreign companies in 35 California employed 561,000 California workers from 2000 to 36 2005. This is an increase of 15 percent. In comparison to other 37 states, California is an attractive location for international 38 employers, ranking first in the United States in the number of 39 employees supported by United States subsidiaries.

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(h) California's trade and investment policy is a living document that should be regularly updated to reflect emerging business trends and the changing needs of California businesses and workers.

SEC. 2. Article 6.5 (commencing with Section 12065) is added to Chapter 1 of Part 2 of Division 3 of Title 2 of the Government Code, to read:

Article 6.5. International Trade and Investment

SEC. 2. Title 19 (commencing with Section 99100) is added to the Government Code, to read:

TITLE 19. INTERNATIONAL TRADE AND INVESTMENT

99100. This title shall be known and may be cited as the California International Trade and Investment Act.

12065.

- 99101. (a) Subject to Section—12068 99107, the Business, Transportation and Housing Agency shall be the primary state agency responsible for domestic and international trade and investment activities in the state.
- (b) The domestic and international trade and investment activities of the agency shall be monitored by the Legislature, and its budget for those purposes shall be subject to approval by the Legislature.
- (c) The Secretary of Business, Transportation and Housing shall develop an international trade and investment policy, which shall be consistent with the economic development strategic plan prepared by the California Economic Strategy Panel pursuant to Section 15570, and shall provide guidance to strategies and plans from other agencies and departments related to workforce and infrastructure development.
- (d) California's international trade and investment policy shall be directed through its state strategy, which shall be based on current and emerging market conditions and the needs of investors, businesses, and workers to be competitive in global markets.

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(e) Notwithstanding subdivision (a), the duties and responsibilities of the Food and Agriculture Agency shall not be limited by this title.

12065.5.

- 99102. (a) Not later than October 1, 2007, the Secretary of Business, Transportation and Housing shall complete a study on the potential roles of the state in global markets.
- (b) The study shall include, but not be limited to, all of the following:
- (1) A discussion of California's economy and its relationship to global markets, including identification of current and emerging trends, industries, and services services, and areas of comparative advantage.
- (2) An inventory and gap analysis of existing programs and services provided by local, state, federal, and private entities, which serve, or could serve, businesses in opening new foreign markets for their products, attracting foreign investment to their businesses, or generally assisting California businesses in global markets.
- (3) An assessment and gap analysis of the current and future physical and human infrastructure related to foreign trade and investment markets, and the appropriate role for state government to improve the infrastructure needs.
- (4) The results of a survey of businesses on their needs and priorities related to foreign trade and investment. The study may rely on current surveys prepared by trade organizations or academic centers dedicated to economic development, or other surveys, as appropriate.
- (5) An examination of how best to coordinate and leverage existing local, state, and federal organizations, programs, and services related to international trade and investment.
- (6) An assessment of unique opportunities and challenges in developing businesses and attracting investment along the border and in historically underserved urban and rural areas.
- (c) (1) The study shall make recommendations on policies, programs, and funding needs for the next three years, seven years, and over the long term.
- 38 (2) Recommendations may include infrastructure 39 improvements, workforce training needs, incentives for business

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1 or investors, and need for international trade and investment 2 offices.

- (3) To the extent international trade and investment offices are found to be appropriate, the study may make general recommendations on the administration, oversight, and mission or missions of the offices.
- (4) The study shall recommend priorities for state activities and funding related to international trade and investment. The priorities shall be based on the assessment of current and emerging market trends, the inventory and gap analysis of programs and services, the assessment of current and future infrastructure and workforce needs, and input by the business community.
- (5) The study shall recommend an international trade and investment organizational structure for the state administration of international trade and investment policies, programs, and services.
- (d) During the course of the study, the secretary shall consult with other agencies, boards, and commissions that have statutory responsibilities related to workforce development, infrastructure, business, and international trade and investment including, but not limited to, the Manufacturing Commission, the Office of the Small Business Advocate, the California Transportation Commission, the California Community Colleges, the University of California, the California State University, the Workforce Investment Board, and the Employment Training Panel the Employment Training Panel, and the California Energy Commission.
- (e) The results of the study shall be submitted to the Chief Clerk of the Assembly and the Secretary of the Senate. A copy of the study shall be provided to the Speaker of the Assembly, the President pro Tempore of the Senate, and the chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on Government Modernization, Efficiency and Accountability Business, Professions and Economic Development, or the successor committees with jurisdiction over international trade and economic development programs.

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12066.

99103. (a) Based on the study prepared pursuant to Section 12065.5 99102, the Secretary of Business, Transportation and Housing shall provide to the Legislature, not later than February 1, 2008, a strategy for international trade and investment that, at a minimum, includes all of the following:

- (1) Policy goals, objectives, and recommendations necessary to implement a comprehensive international trade and investment program for the State of California. This information shall be provided in a fashion that clearly indicates priority within the overall strategy.
- (2) Measurable outcomes and timelines for the goals, objectives, and actions. The strategy shall also define an overall process for establishing the state's return on investment during the implementation stage. objectives, and actions for the international trade and investment program.
- (3) Identification of impediments for achieving goals and objectives.
- (4) Identification of key stakeholder partnerships that will be used in implementing the strategy.
 - (5) Identification of options for funding recommended actions.
- (6) Identification of an international trade and investment organizational structure for the state administration of international trade and investment policies, programs, and services.
- (b) The strategy shall be developed in consultation with the California Economic Strategy Panel.
- (c) The strategy shall be submitted to the Chief Clerk of the Assembly and the Secretary of the Senate. A copy of the strategy shall be provided to the Speaker of the Assembly, the President pro Tempore of the Senate, and the chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on Government Modernization, Efficiency and Accountability Business, Professions and Economic Development, or the successor committees with jurisdiction over international trade and economic development programs.
- (d) (1) The strategy shall be reviewed in at least one public hearing by the relevant policy and fiscal committees of each house of the Legislature. The hearings shall be held within 60

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days of the strategy being submitted to the Legislature. If the strategy is submitted when the Legislature is in recess, the hearings shall occur within 60 days of the members convening.

- (2) The legislative committees may make recommendations to the secretary on the strategy, and the secretary may modify the strategy accordingly.
- (e) The secretary shall report to the fiscal committees of the Legislature by February 1 of each year on how the Governor's proposed budget relates to the strategy.
- (f) The strategy shall be updated pursuant to the procedures of this section, at least every five years.

12066.5.

- 99104. (a) The Secretary of Business, Transportation and Housing shall convene—or join a statewide business partnership for international trade and investment no later than March 1, 2007. If the secretary chooses to join a partnership, a state entity or entities shall be an active member or members participating in a majority of its activities and taking on leadership opportunities, where appropriate. 2007.
- (b) The business partnership shall include representatives from small, medium, and large businesses and industries, as well as nongovernmental organizations and government representatives.
- (c) The business partnership shall advise the secretary on business needs and strategy priorities as they relate to international trade and investment. This information shall be used in establishing the needs and priorities in the strategy developed pursuant to Section—12066 99103, and for any other uses as determined by the secretary.

12067.

- 99105. (a) Based on a review of the international trade and investment policies and the recommendations and priorities established in the international trade and investment strategy developed pursuant to Section—12066 99103, the secretary shall determine whether it is appropriate to consider establishing international trade and investment offices.
- (b) If the secretary determines that opening international trade and investment offices is in the best interest of the state, the secretary shall develop a strategy for selecting, opening, and managing international trade and investment offices.

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(c) The international trade and investment office strategy shall conform to at least all of the following requirements:

- (1) It shall be based on the needs and priorities of California's businesses.
- (2) It shall be consistent with the resources and priorities of the overall trade and investment strategy submitted to the Legislature pursuant to Section—12066 99103.
- (3) It shall define the program's goals, objectives, and timelines for achieving quantifiable targets. Individual offices may have separate missions or play different roles within the overall international trade and investment office strategy. To the extent that the proposed offices are expected to assist businesses in opening new markets, these activities shall be targeted primarily to small and medium sized businesses.
- (4) It shall define the Business, Transportation and Housing Agency's management and oversight responsibilities, funding levels, and activities.
- (5) It shall define how international trade and investment office locations will be selected by the secretary and approved by the Governor, including the general geographic locations, number of offices, and duties undertaken by the offices.
- (6) It shall define how the offices will be funded, including funding for oversight and monitoring.
- (7) It shall define how offices will be staffed, including staffing levels and types of positions needed to operate the offices proposed in the international trade and investment office strategy.
 - (8) It shall provide a conflict of interest policy and gift policy.
- (d) The international trade and investment office strategy shall be submitted to the Chief Clerk of the Assembly and the Secretary of the Senate. A copy of the strategy shall be provided to the Speaker of the Assembly, the President pro Tempore of the Senate, and the chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on Government Modernization, Efficiency and Accountability Business, Professions and Economic Development, or the successor committees with jurisdiction over international trade and economic development programs.
- 39 (e) (1) The international trade and investment office strategy 40 shall be reviewed in at least one public hearing by the relevant

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1 policy and fiscal committees of each house of the Legislature.

- 2 The hearings shall be held within 60 days of the strategy being
- 3 submitted to the Legislature. If the strategy is submitted when the
- 4 Legislature is in recess, the hearings shall occur within 60 days5 of the members convening.
 - (2) The legislative committees may make recommendations to the secretary on the strategy, and the secretary may modify the strategy accordingly.
 - (f) The international trade and investment office strategy shall be updated no less than every five years from the date that the first strategy is submitted to the Chief Clerk of the Assembly and the Secretary of the Senate.
 - (g) The international trade and investment office strategy shall be implemented only upon statutory authorization by the Legislature.

12067.5.

- 99106. (a) International trade and investment offices may be established only to the extent authorized by, and under the conditions specified in, the international trade and investment office strategy described in Section—12067 99105.
- (b) In establishing offices pursuant to this section, the secretary shall submit to the Legislature a business plan for each proposed office, which shall include, but not be limited to, all of the following:
- (1) The mission of the office, goals, objectives, and timelines for achieving quantifiable targets.
- (2) The level of staffing and staff expertise requirements needed to successfully operate the office.
- (3) How the opening of the office relates to the international trade and investment office strategy and the overall international trade and investment strategy.
- (c) (1) The international trade and investment offices shall be under the direction of a manager of international trade and investment offices within the agency, to be designated by the secretary. The manager shall be an individual with experience in management and oversight of public agencies and experience in international trade, investments, or global business.
- (2) No international trade and investment office shall be opened until the position of the manager of international trade and investment offices is filled within the agency.

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(3) The position of the manager of the international trade and investment offices shall be a civil service state employee position funded and staffed in a manner consistent with the international trade and investment office strategy.

- (d) (1) Each office established pursuant to this—article title shall submit a report to the agency by December 1 of each year on meeting its goals, objectives, and timelines as outlined in its business plan.
- (2) The secretary shall provide a summary of the reports to the relevant policy committees of each house of the Legislature, as set forth in paragraph (2) of subdivision (f), by the following February 1 of each year.
- (e) The agency shall conduct an annual performance review of each office for the first three years of the office's operation. After this term, upon the determination of the secretary, the performance reviews may be undertaken at a longer interval, but not to exceed five years. If the secretary determines that an extended interval is appropriate for a particular office, this shall be clearly indicated in the secretary's annual report to the Legislature on the activities of the offices.
- (f) (1) The secretary shall contract for an independent study of the operations and effectiveness of the international trade and investment offices established pursuant to this section at the conclusion of two years of operation and at four year intervals after the initial study.
- (2) The report on the results of the study shall be submitted to the Chief Clerk of the Assembly and the Secretary of the Senate no later than two years after the opening of the first office pursuant to this—article title. A copy of the report shall be provided to the Speaker of the Assembly, the President pro Tempore of the Senate, and the chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on—Government Modernization, Efficiency, and Accountability Business, Professions and Economic Development, or the successor committees with jurisdiction over international trade and economic development programs.
- (g) International trade and investment offices shall operate only to the extent that at least 75 percent of the funding for the operation of the individual office comes from sources other than

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state funds, authorized pursuant to Section 13997. All nonstate sources of funding shall be identified on the agency website by name and the amount contributed. The agency shall be responsible for all state administrative and oversight—costs and some portion of the cost of each office, not to exceed \$100,000 per office. costs. The agency shall also be responsible for some portion of the costs of each office, not to exceed one hundred thousand dollars (\$100,000) per office.

(h) Consistent with the international trade and investment office strategy, the secretary shall make a determination by September 1 of each year that sufficient funds have been appropriated in the annual Budget Act to meet its oversight and management responsibilities related to the proper operation of the offices. If, in the opinion of the secretary, insufficient funding has been provided, the secretary shall notify the Joint Budget Committee and submit a budget change proposal to request sufficient funding.

12068.

99107. The Controller shall not allocate any state funds to the Business, Transportation and Housing Agency for domestic or international trade and investment activities if any of the following conditions occur:

- (a) The strategy for international trade and investment has not been submitted to the Legislature pursuant to subdivision (a) of Section—12066 99103 by May 1, 2008, or the strategy update required by subdivision (f) of that section has not been completed within six years of the completion of the original strategy or the most recent update, as applicable.
- (b) The report to the fiscal committees of the Legislature required by subdivision (e) of Section-12066 99103 has not been submitted by May 1 of the year in which it is due.
- (c) The summary required by paragraph (2) of subdivision (d) of Section—12067.5 99106 has not been submitted to the Legislature by May 1 of the year in which it is due.
- (d) The determination required by subdivision (h) of Section 12067.5 99106 has not been made by December 1 of the year in which it is due.

38 12068.5.

39 99108. (a) The Office of Planning and Research shall 40 maintain, and update at least monthly and update, a full and

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1 comprehensive list of all state agreements made with foreign 2 governments. The list shall be updated within 30 days of the 3 effective date of each new agreement. The list shall include at 4 least all of the following:

- (1) The dates of enactment or approval and termination.
- (2) The agency, department, board, commission, or other governmental entity responsible for implementation.
 - (3) Activities proposed.

- (4) Expected outcomes.
- (b) Agencies may separately maintain detailed information or reports on these activities as they determine to be appropriate, but they shall not be deemed to meet the requirements of this section. 12069.
- 99109. (a) All state employees shall, within 30 days of traveling out of the country on official state business relating to trade or investment, or both, provide, to their agency or department head or other oversight entity the Business, Transportation and Housing Agency, a memorandum detailing dates of the trip, countries and localities visited, a description of attendees of any official meetings or events, and the goals, outcomes, and follow-up expected from the trip.
- (b) The Governor and Members of the Legislature are exempt from the requirements of this section.
- (b) Travel out of the country on official state business relating to trade or investment, or both, when the Governor or Members of the Legislature, or both, are present, are exempt from the requirements of subdivision (a).
- 99110. (a) The Legislature finds and declares that there is within the Office of the Governor a state point of contact who, in compliance with federal practice, receives updates from the federal government on trade policies, is often provided the opportunity to review and comment on ongoing trade negotiations, and serves as the state's liaison to the United States Trade Representative on trade-related matters.
- 35 (b) The state point of contact described in subdivision (a) 36 shall, in addition to any other duties assigned by the Governor, 37 do all of the following:
- 38 (1) Immediately disseminate any correspondence or 39 information from the United States Trade Representative to the

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1 appropriate state agencies and departments and legislative 2 committees.

- (2) Work with the appropriate state agencies and departments and legislative committees, to review and analyze the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the United States Trade Representative.
- 9 (3) Serve as liaison to the Legislature on matters of trade 10 policy oversight.
 - SEC. 3. The sum of one hundred forty thousand dollars (\$140,000) is hereby appropriated from the General Fund without regard to fiscal years, to the Business, Transportation and Housing Agency for development of the international trade and investment policy required pursuant to Section—12065—99101 of the Government Code, as added by Section 2 of this act; completion of the study required pursuant to Section—12065.5—99102 of the Government Code, as added by Section 2 of this act; and development of the international trade and investment strategy required pursuant to Section—12066—99103 of the Government Code, as added by Section 2 of this act.